

EBRIefing: Debt of the Elderly and Near Elderly

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Background

- EBRI has been analyzing the Federal Reserve’s Triennial Survey on Family Wealth since well before the Financial Crisis.
- Since the Financial Crisis, we document some signs of increasing indebtedness—especially among the oldest age cohort.
- Others have observed a similar trend:
 - Lusardi et al note that: “older persons today appear more likely to enter retirement in debt than in past decades.”
 - The National Council on Aging finds: “more seniors are carrying debt into retirement more than ever before, and the amount of debt burden has skyrocketed over the past decade.

Background

- Possible reasons for the trend:
 - Low interest rates, easy debt access
 - Desire to help children, grandchildren
 - Little stigma attached to debt
- Today we'll delve into the data on debt of the elderly and near elderly, including the sources of that debt, and discuss possible policy implications.

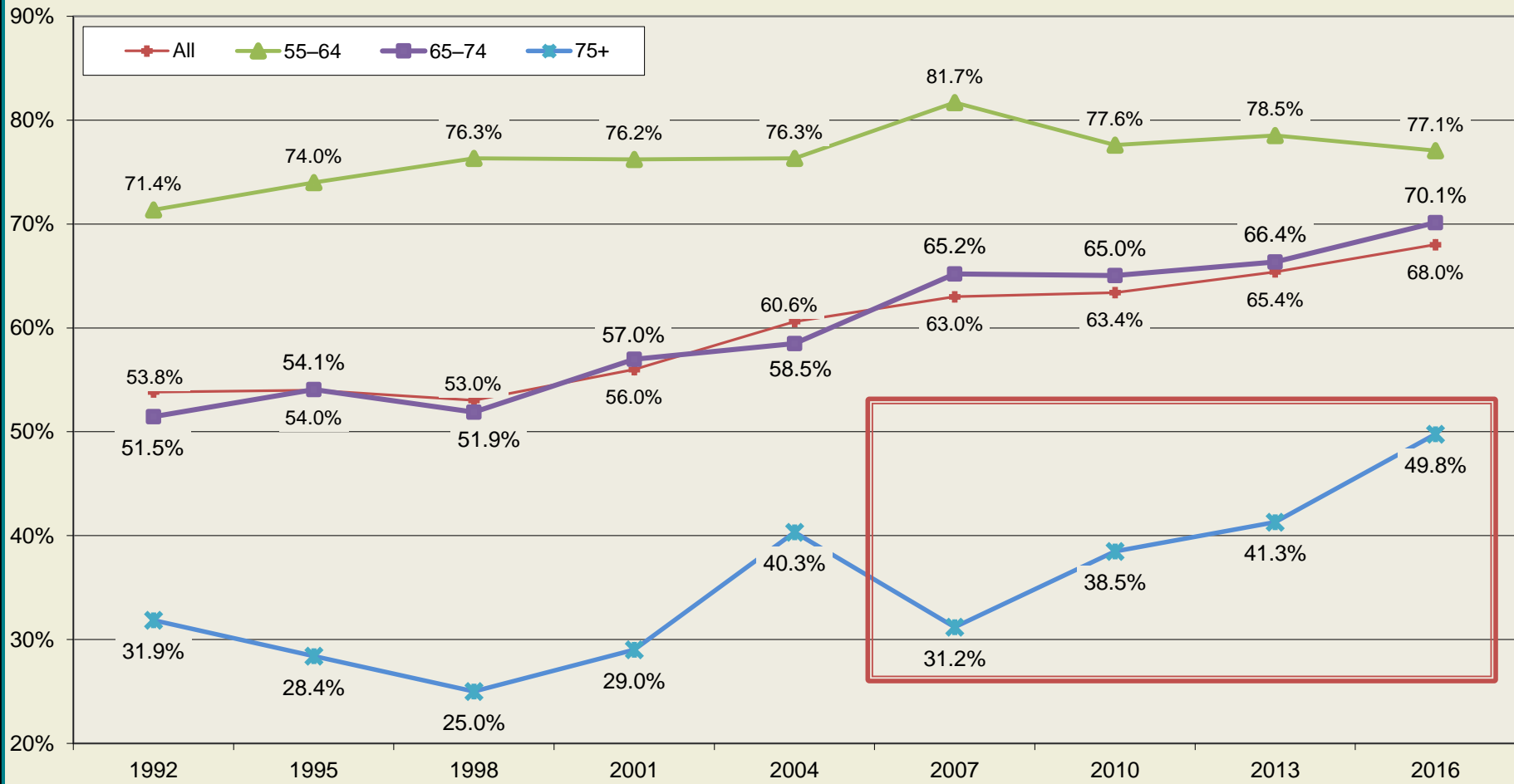
Overview

- Data Source—Survey of Consumer Finances
 - Federal reserve's triennial survey on family wealth
 - Most comprehensive government survey on American families' total wealth
 - Contains all types of wealth including detailed data on all asset and debt types
 - Sample size—6,254 in 2016
- Debt
 - Incidence of debt
 - Debt levels
 - Debt as a percentage of assets
 - Debt payments
 - Driving force behind debt trends
 - Percentage with problem debt payment levels
 - Specific debt types
 - Comparison with families with heads younger than age 55

Incidence of Debt for Families With Heads Ages 55 or Older

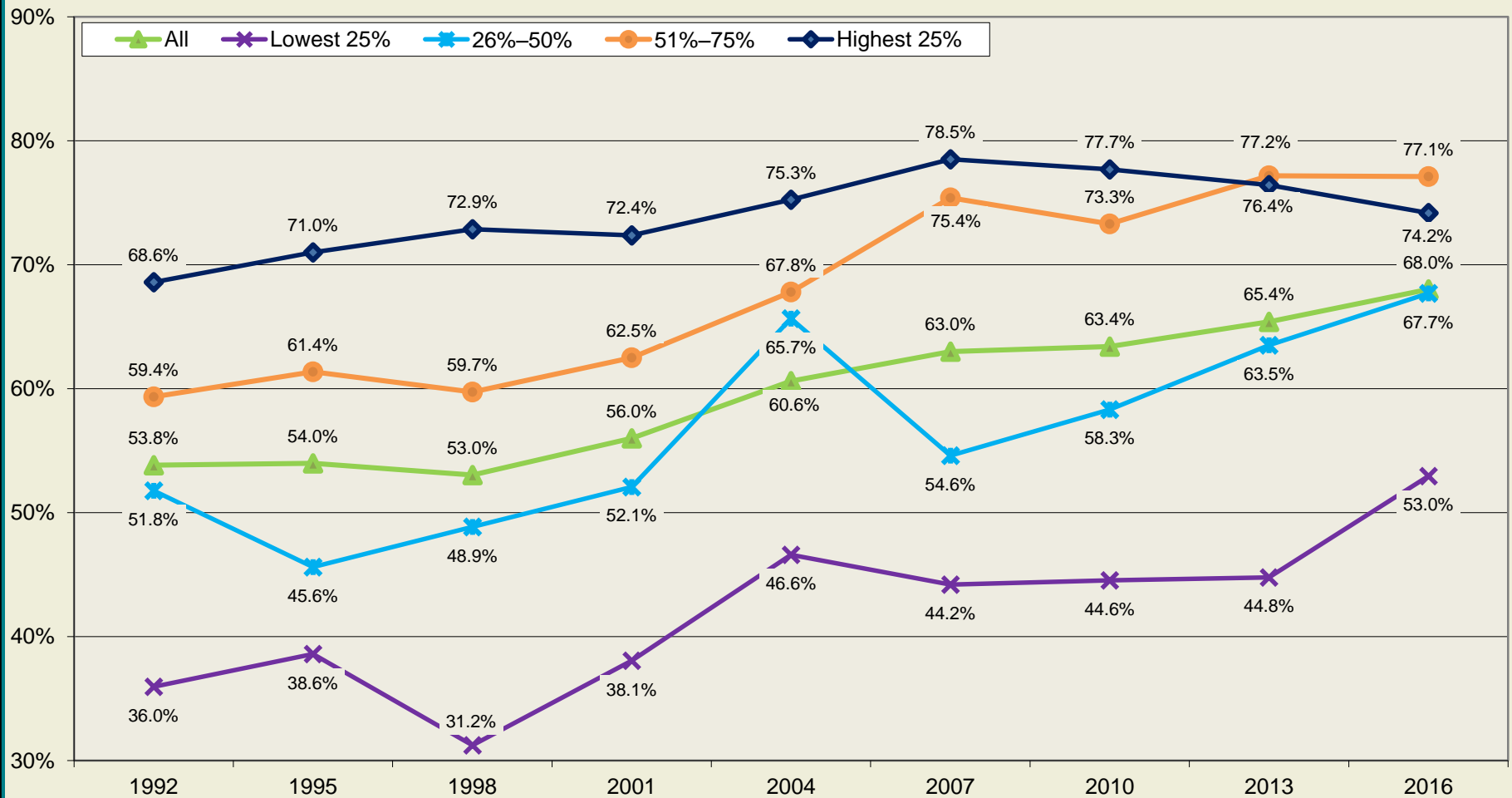
- by family head age
- by income

Percentage of Families With Heads Ages 55 or Older With Debt, by Age of Family Head, 1992–2016



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Percentage of Families With Heads Ages 55 or Older With Debt, by Income Quartile, 1992–2016

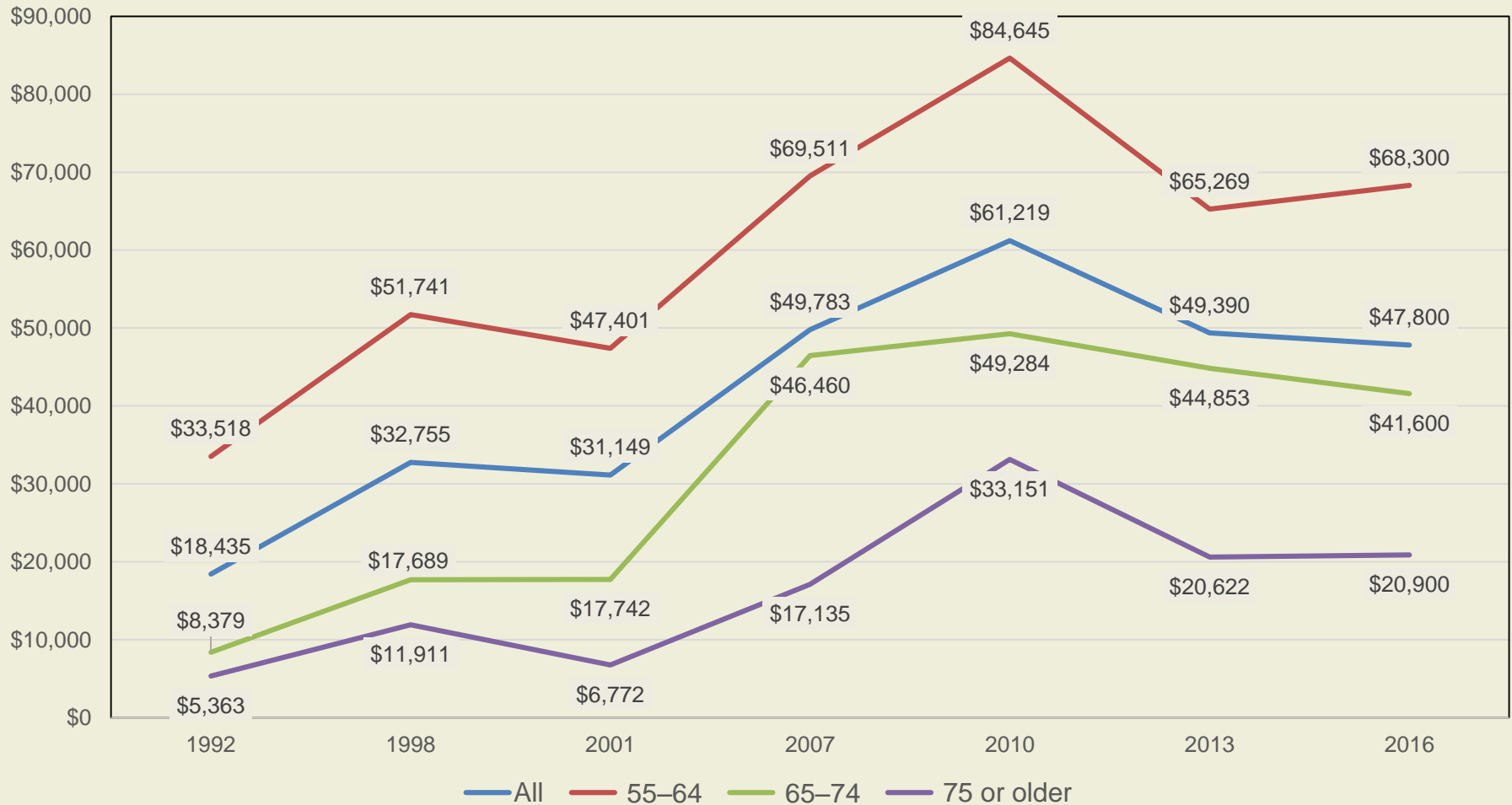


Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

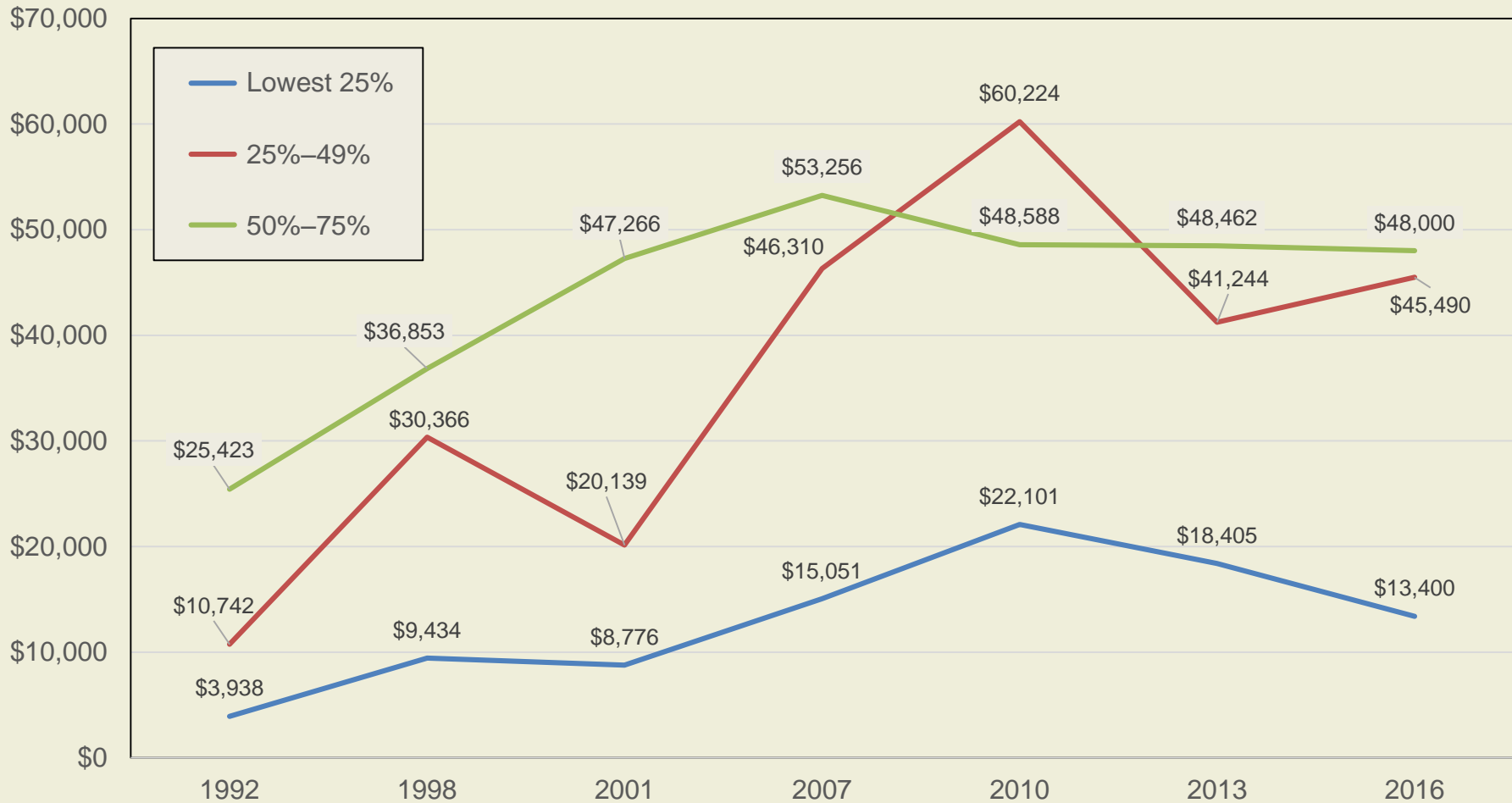
Median Total Debt Levels

- by family head age
- by net worth percentile

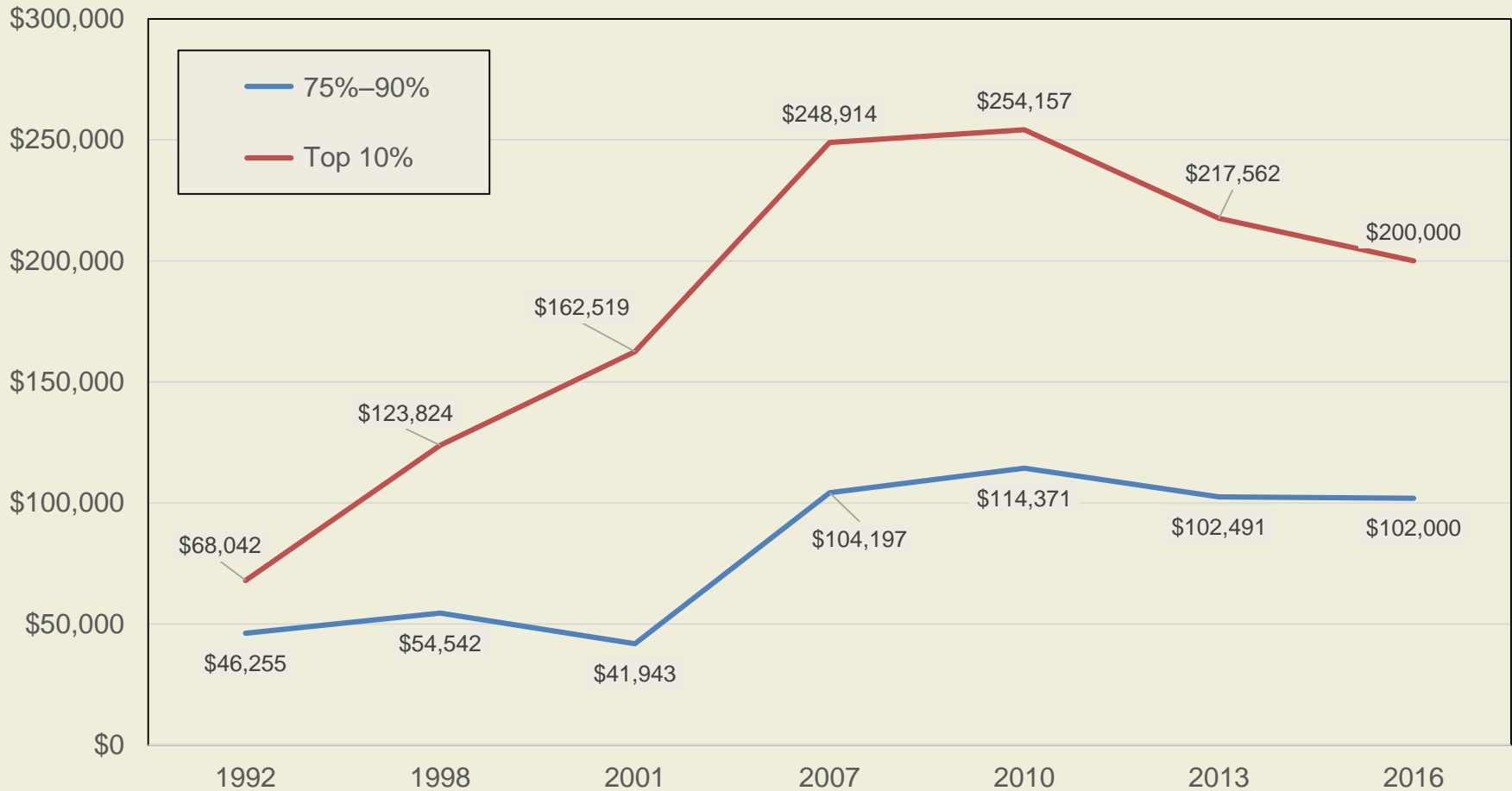
Median Total Debt for Families With Heads Ages 55 or Older With Debt, by Family Head Age, 1992–2016



Median Total Debt for Families With Heads Ages 55 or Older With Debt, by Family Net Worth Percentile, 1992–2016 (Part 1)



Median Total Debt for Families With Heads Ages 55 or Older With Debt, by Family Net Worth Percentile, 1992–2016 (Part 2)



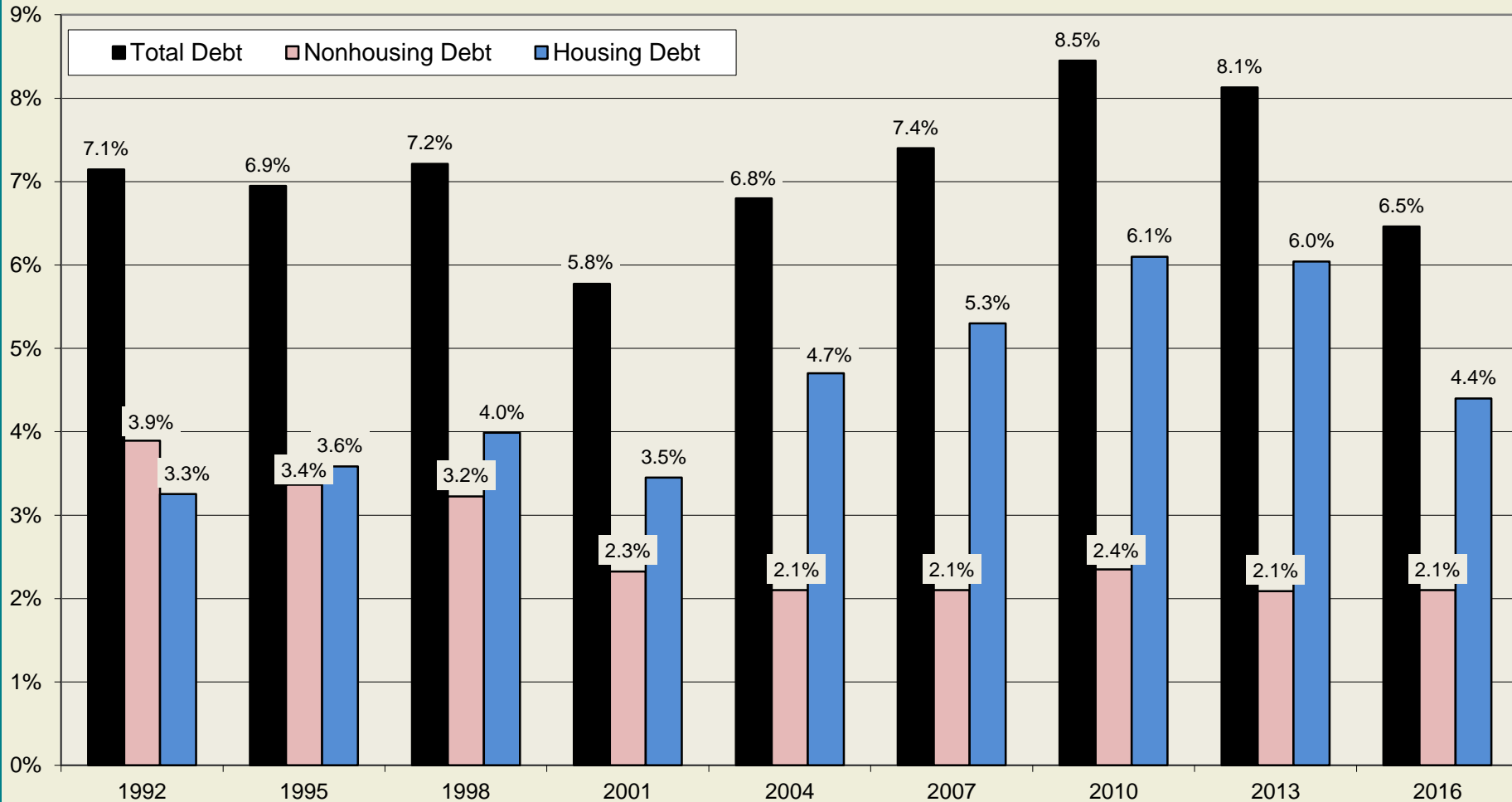
How has debt changed relative to assets for those having debt?

Total debt as a percentage of assets

**Median debt to asset ratios for those
having debt**

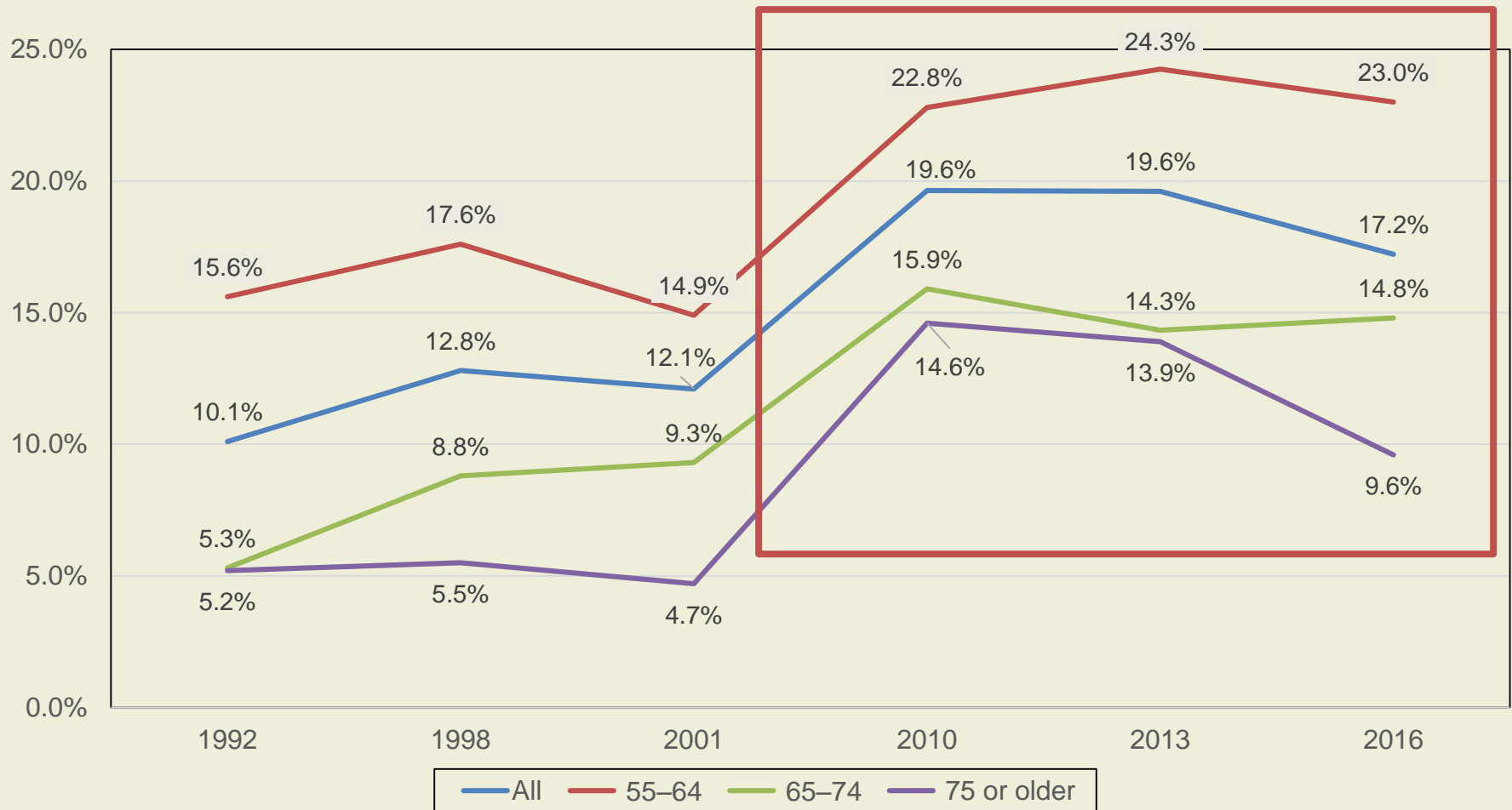
- by family head age
- by family net worth quartile

Total, Nonhousing, and Housing Debt as a Percentage of Assets for Families With Heads Ages 55 or Older, 1992–2016



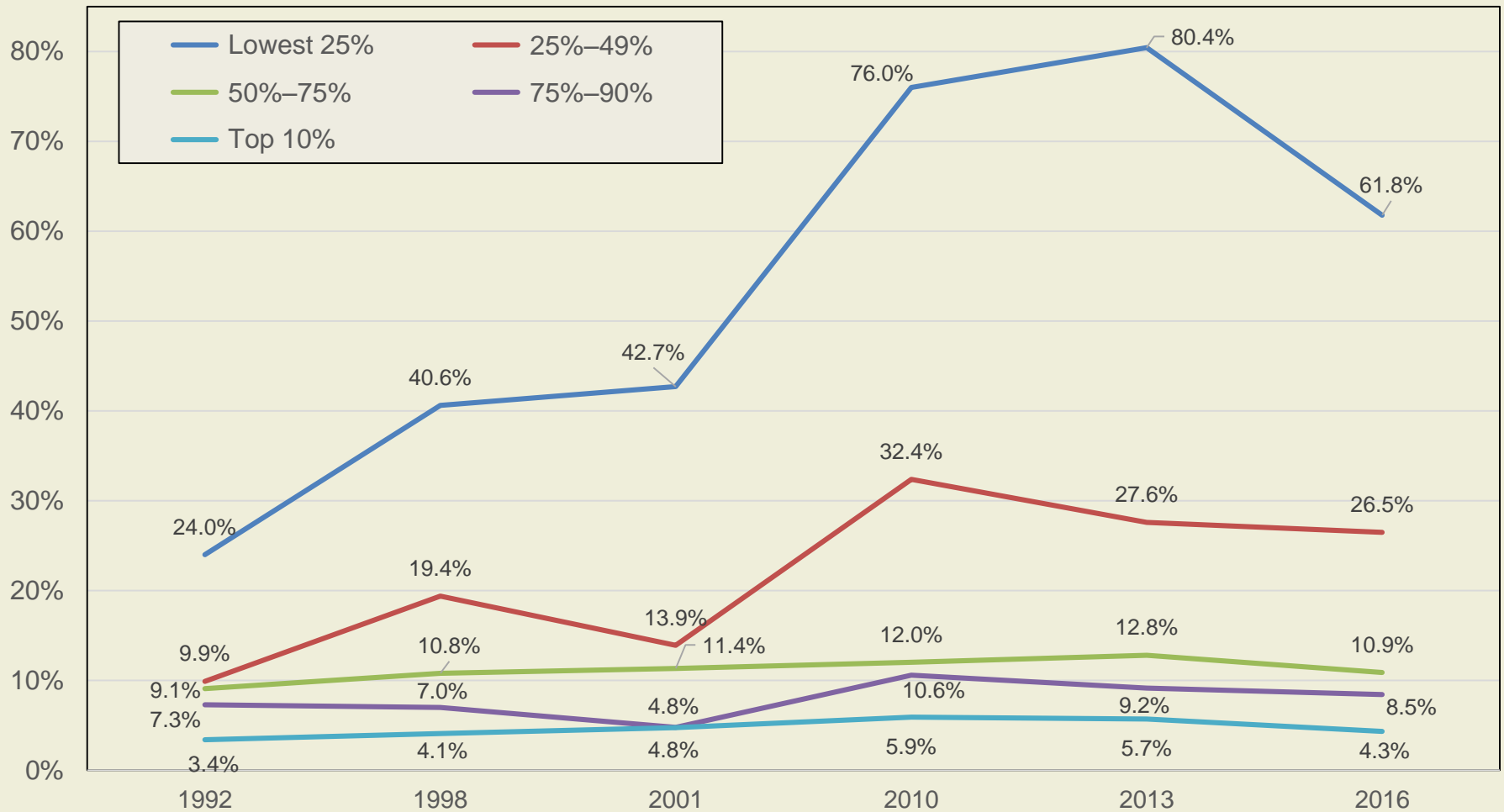
Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Median Debt to Asset Ratio for Families With Heads Ages 55 or Older With Debt, by Age of Family Head, 1992-2016



Source: Employee Benefit Research Institute estimates from the 1992, 1998, 2001, 2010, 2013, and 2016 Survey of Consumer Finances.

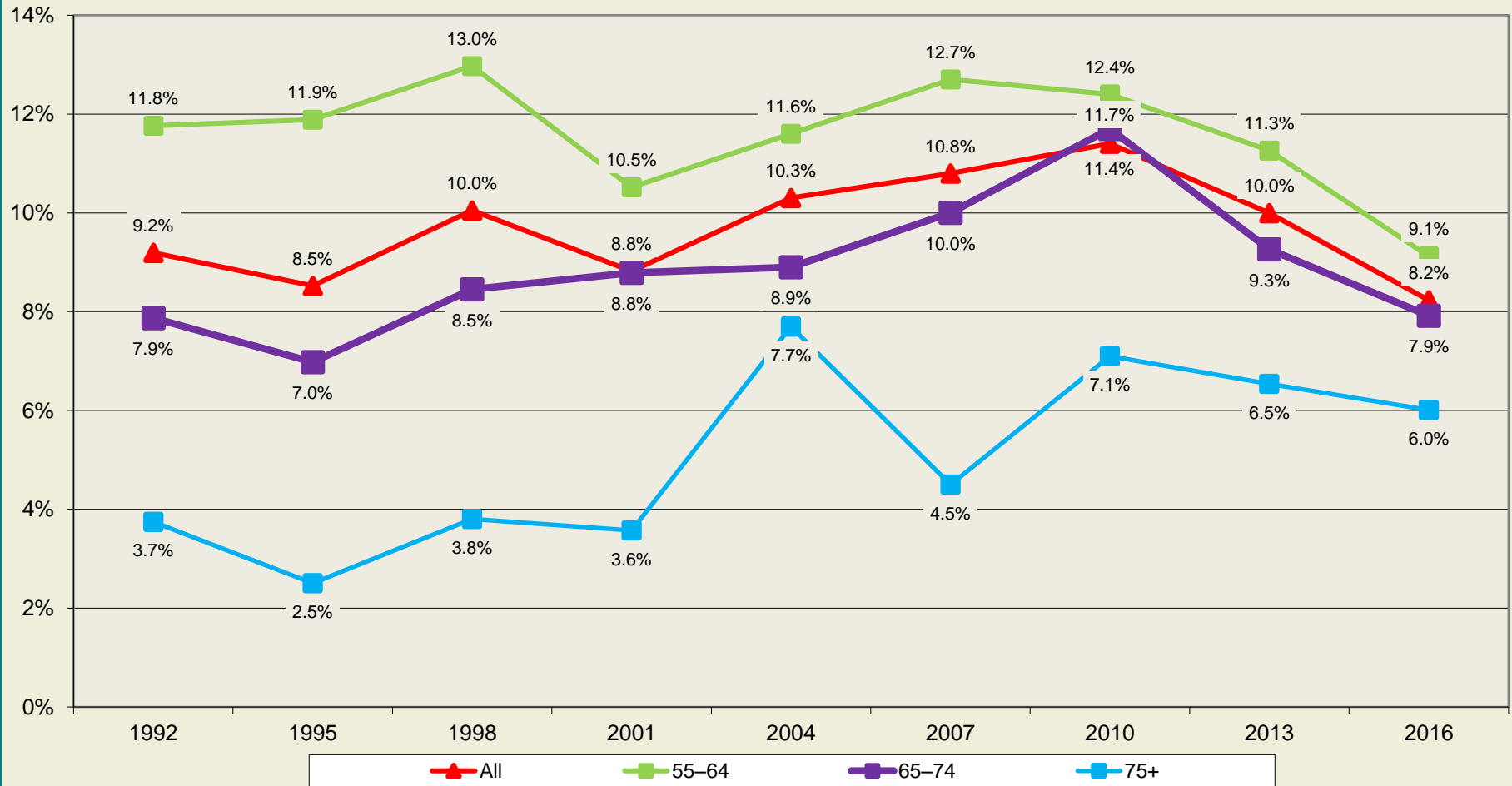
Median Debt to Asset Ratio for Families With Heads Ages 55 or Older With Debt, by Family Net Worth Percentile, 1992-2016



Total debt payments as a percentage of total family income

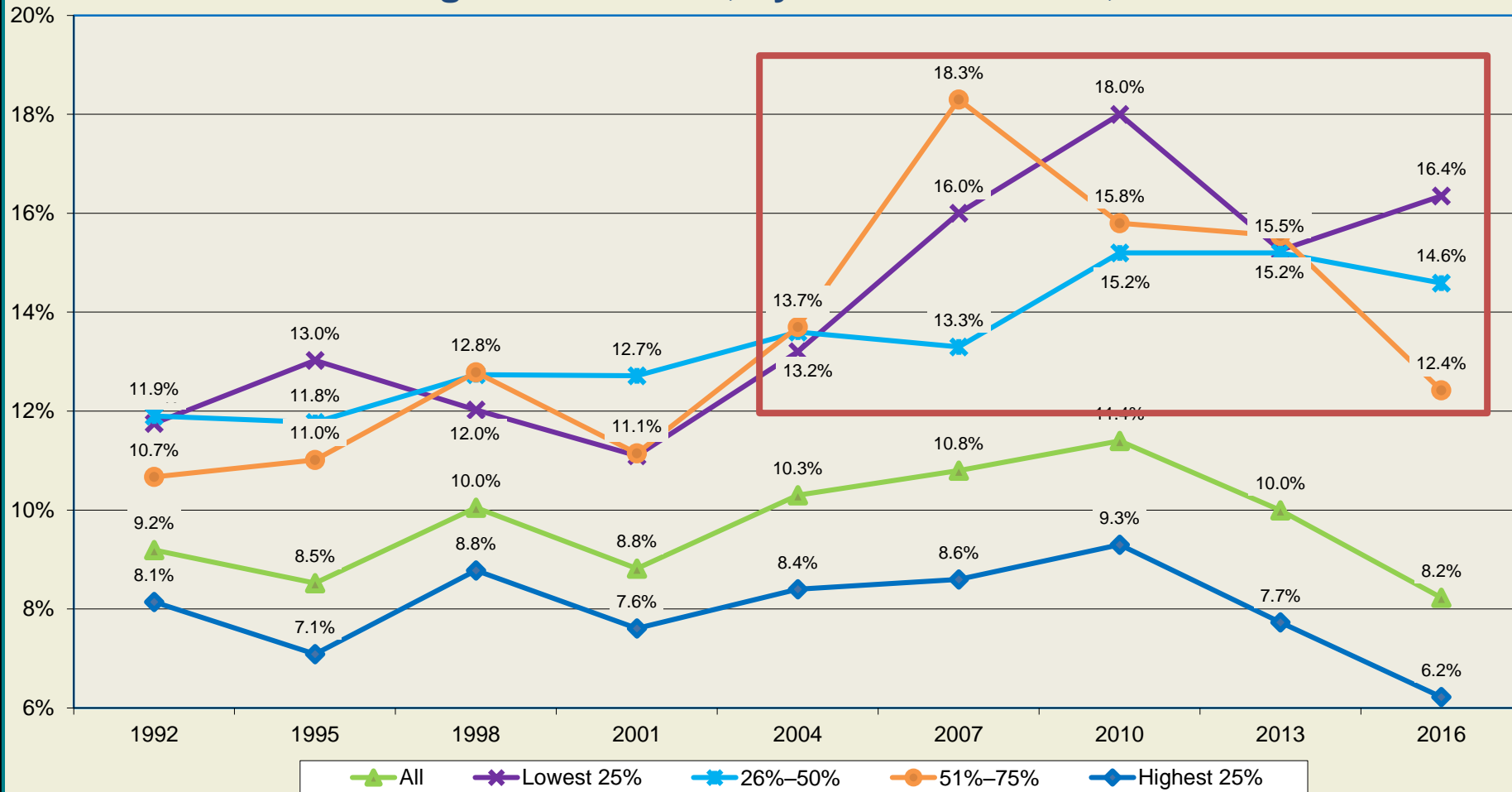
- The totals mask the lower income trend increases.

Total Debt Payments as Percentage of Income Among Families With Heads Ages 55 or Older, by Age of Family Head, 1992–2016



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Total Debt Payments as a Percentage of Income for Families With Heads Ages 55 or Older, by Income Quartile, 1992–2016

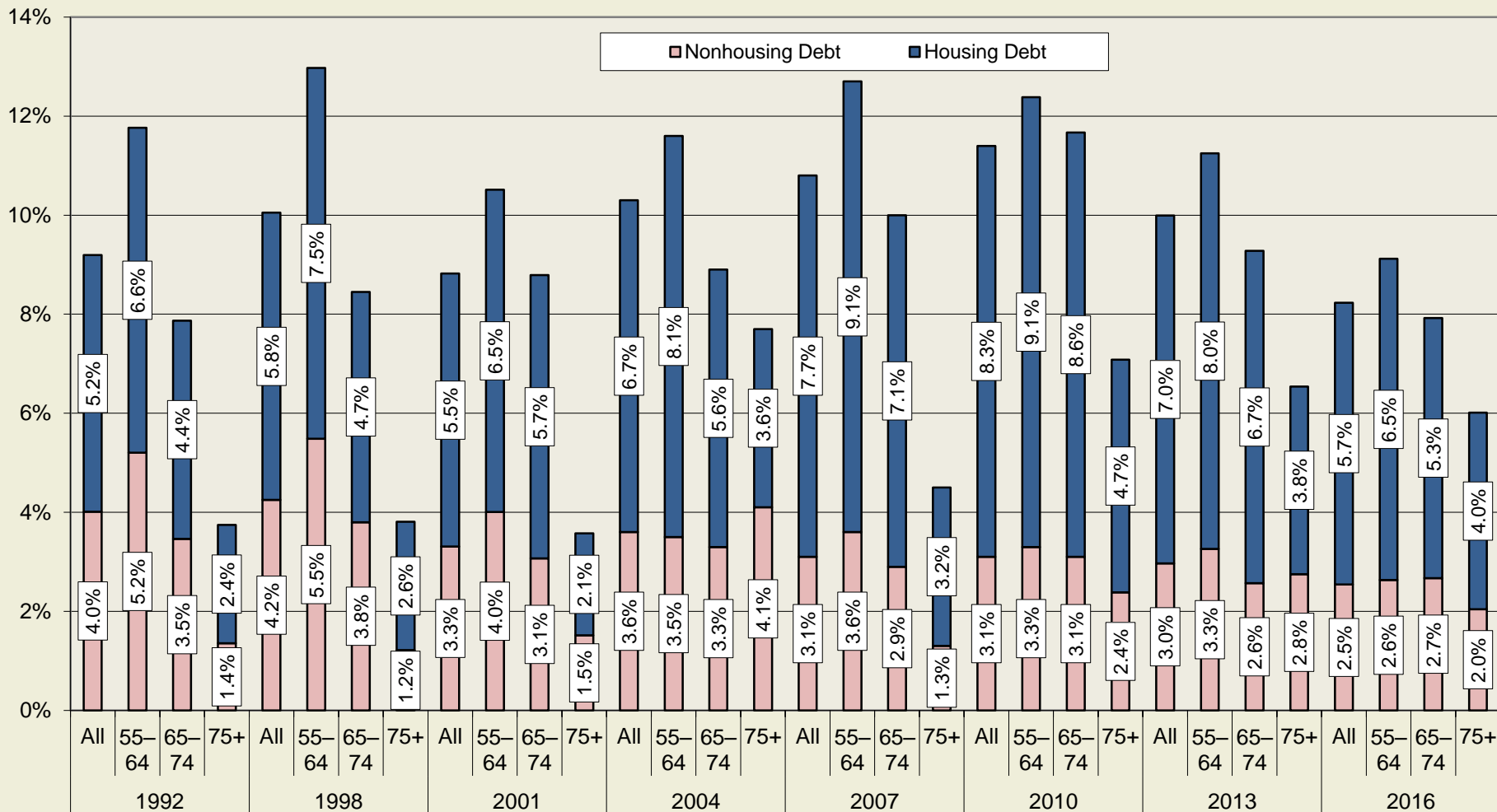


Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Driving force behind increasing debt levels?

Housing

Total Housing and Nonhousing Debt Payments as Percentage of Income Among Families With Heads Ages 55 Or Older, by Age of Family Head, 1992–2016

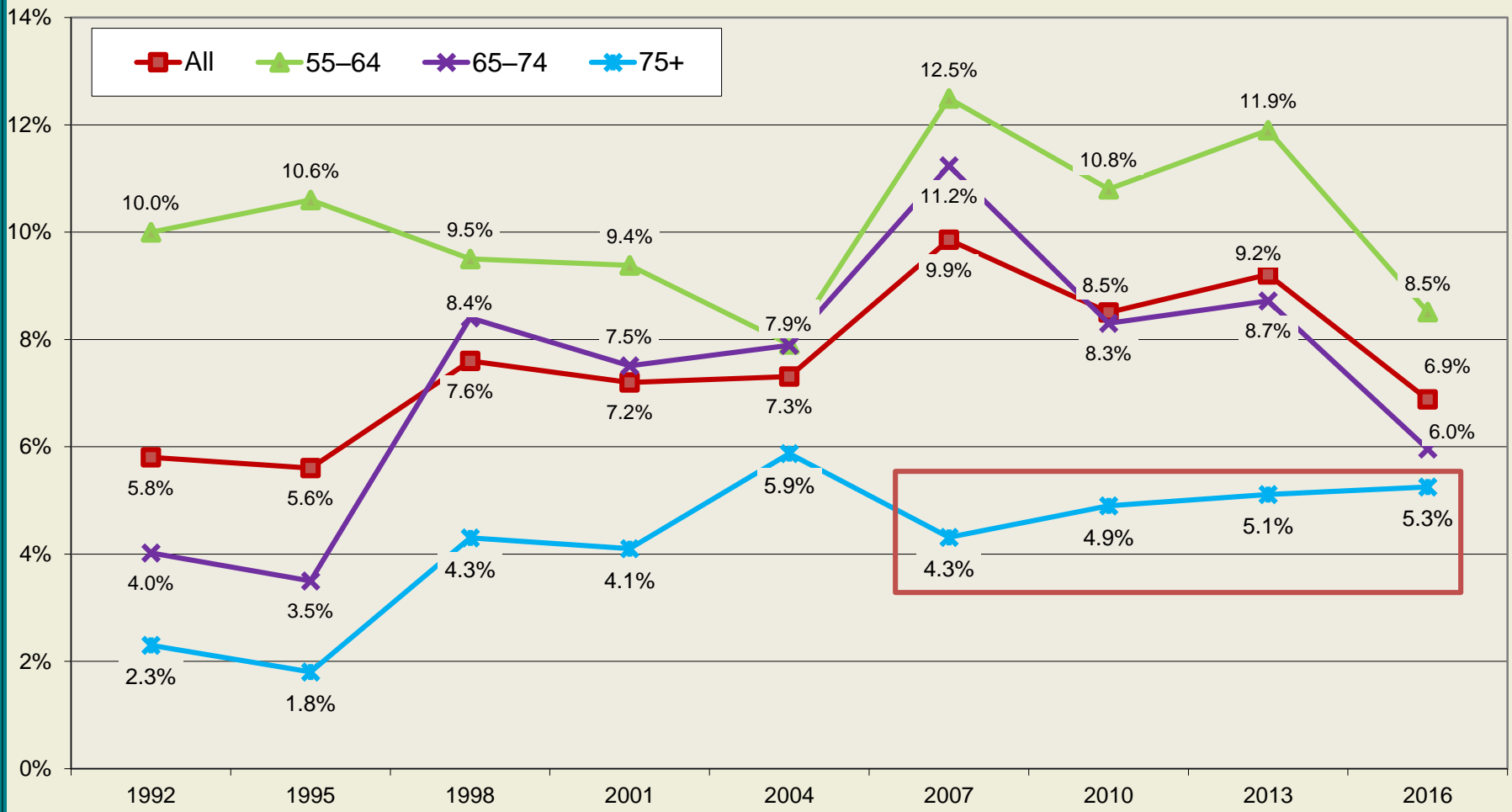


Source: Employee Benefit Research Institute estimates from the 1992, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Percentage of families with problem debt payment levels

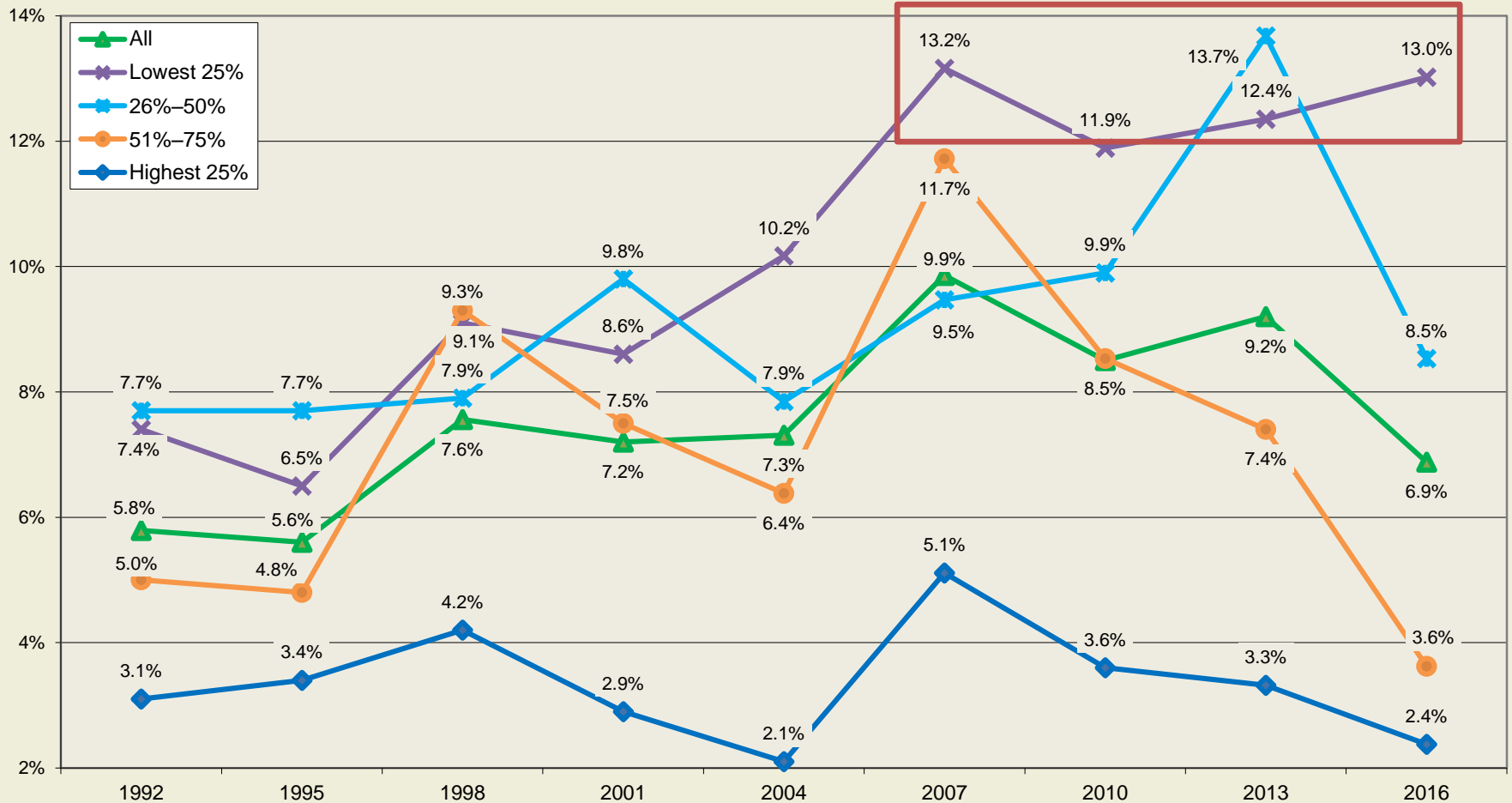
- by family head age
- by income

Percentage of Families With Heads Ages 55 or Older Who Have Debt Payments of Greater Than 40 Percent of Income, by Age of Family Head, 1992–2016



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Percentage of American Families With Heads Ages 55 or Older With Debt Payments Greater Than 40 Percent of Their Income, by Income Quartile, 1992–2016

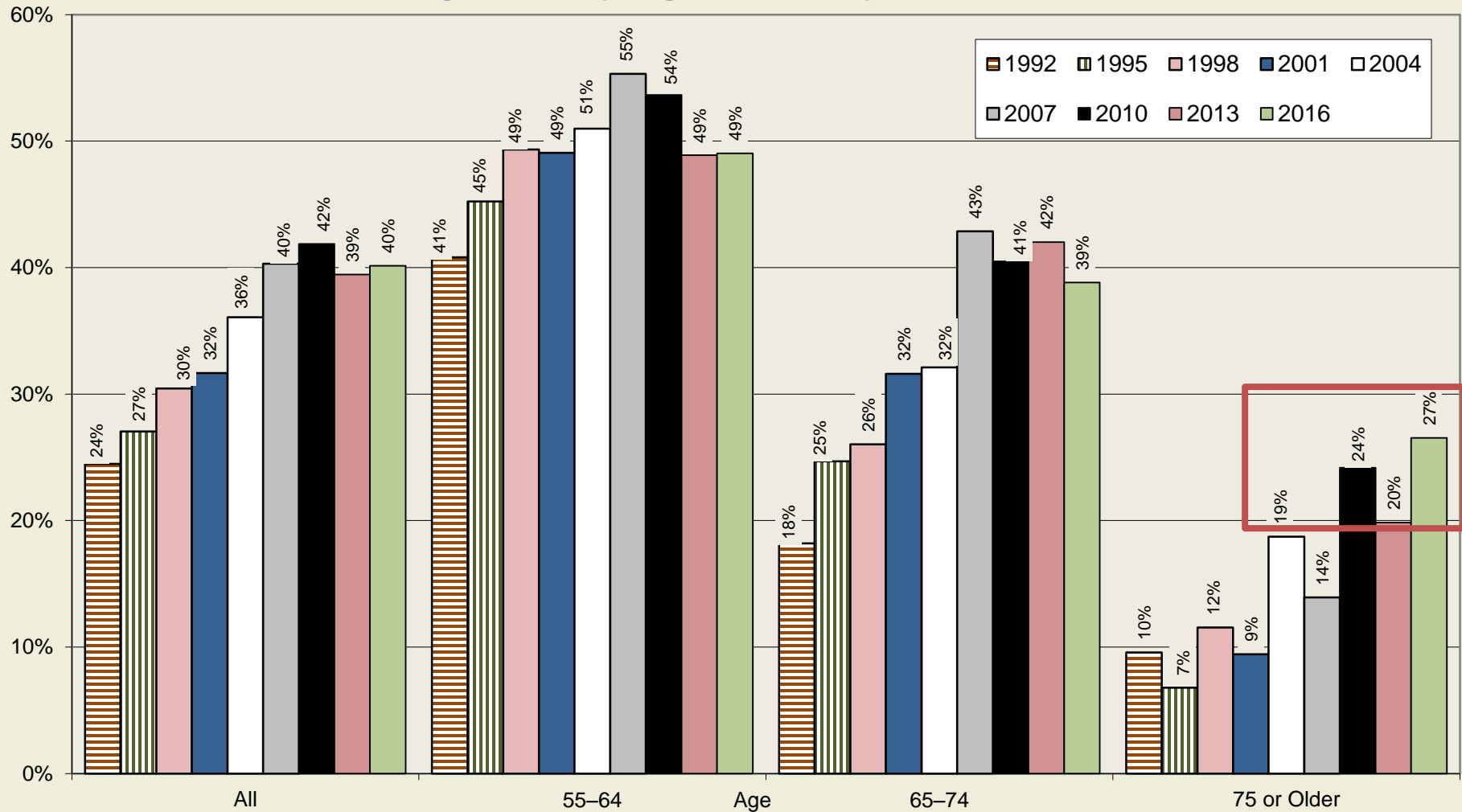


Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer

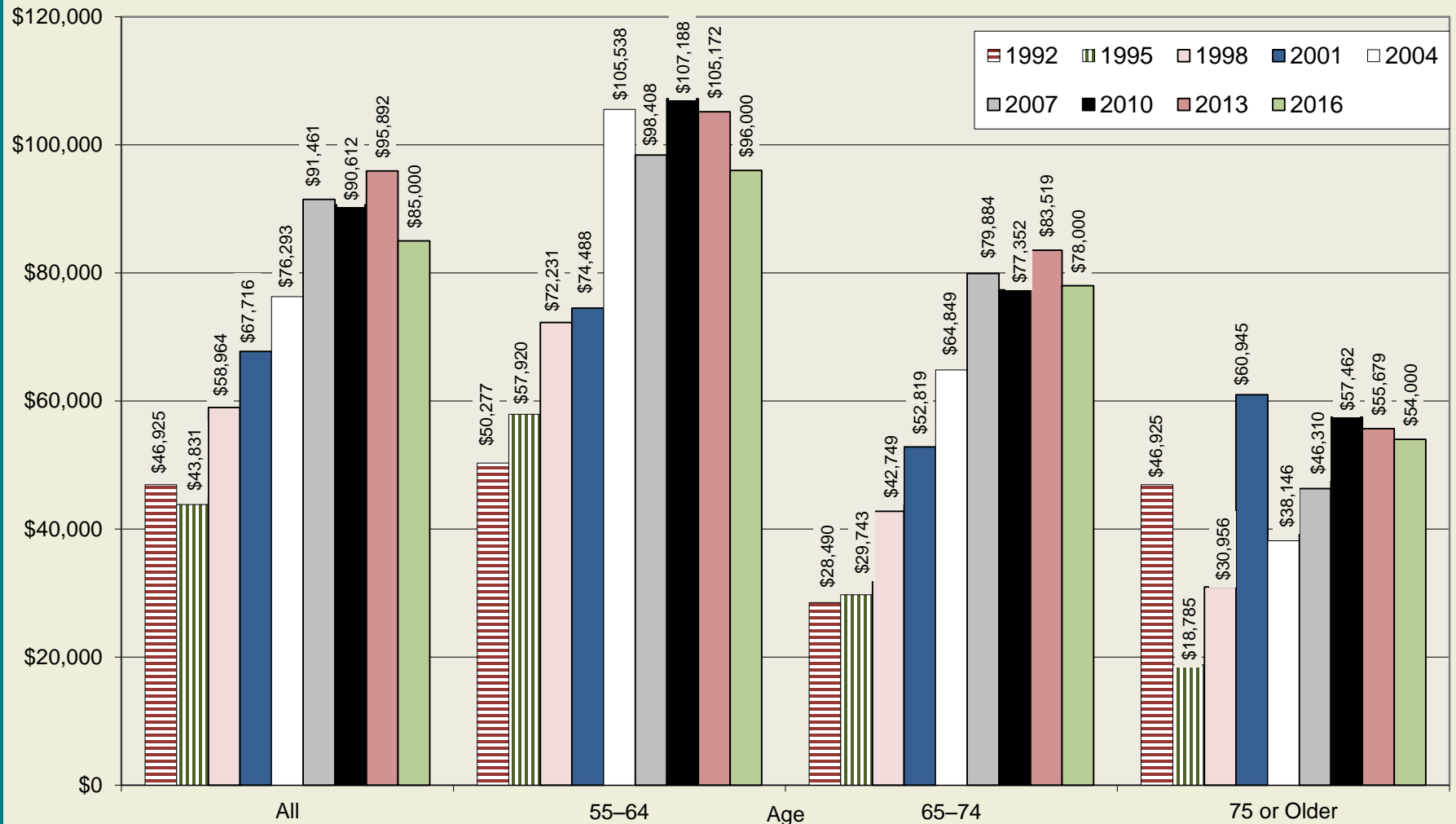
Specific Debt Types

- Housing
- Credit card

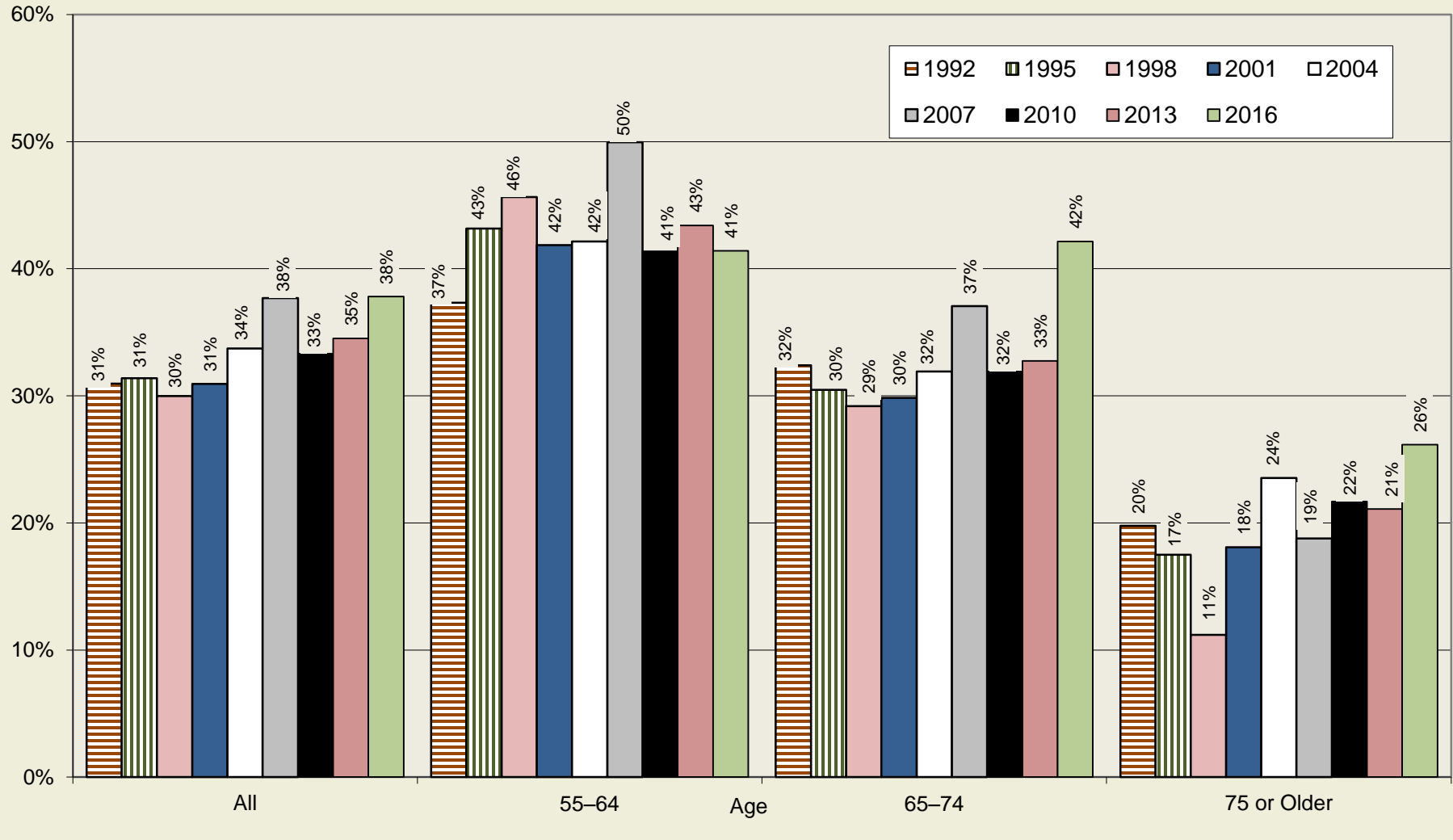
Percentage of Families With Heads Ages 55 or Older With Housing Debt, by Age of Family Head, 1992–2016



Median Housing Debt for Families With Heads Ages 55 or Older With Housing Debt, by Age of Family Head, 1992–2016

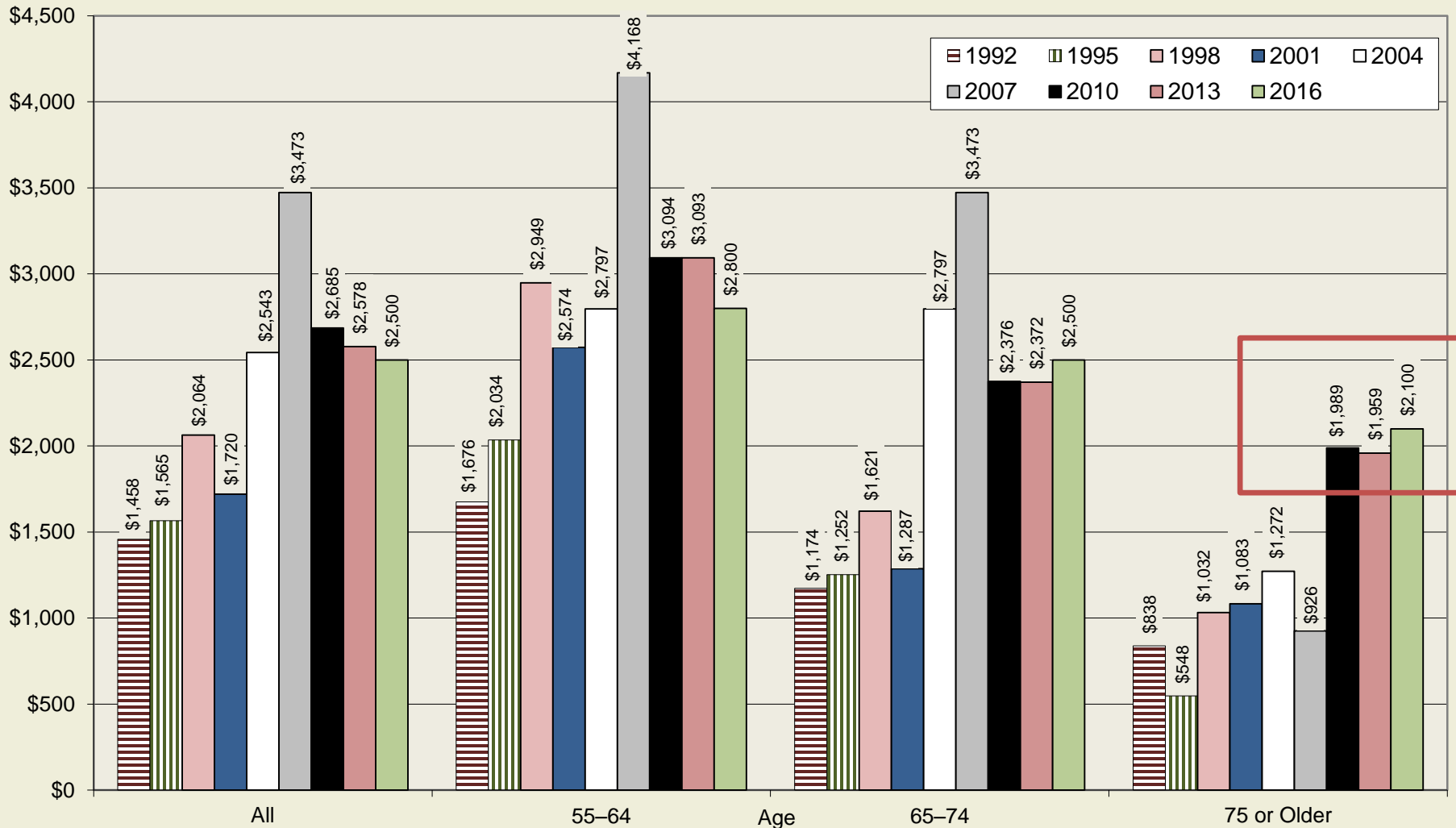


Percentage of Families With Heads Ages 55 or Older With Credit Card Debt, by Age of Family Head, 1992–2016



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

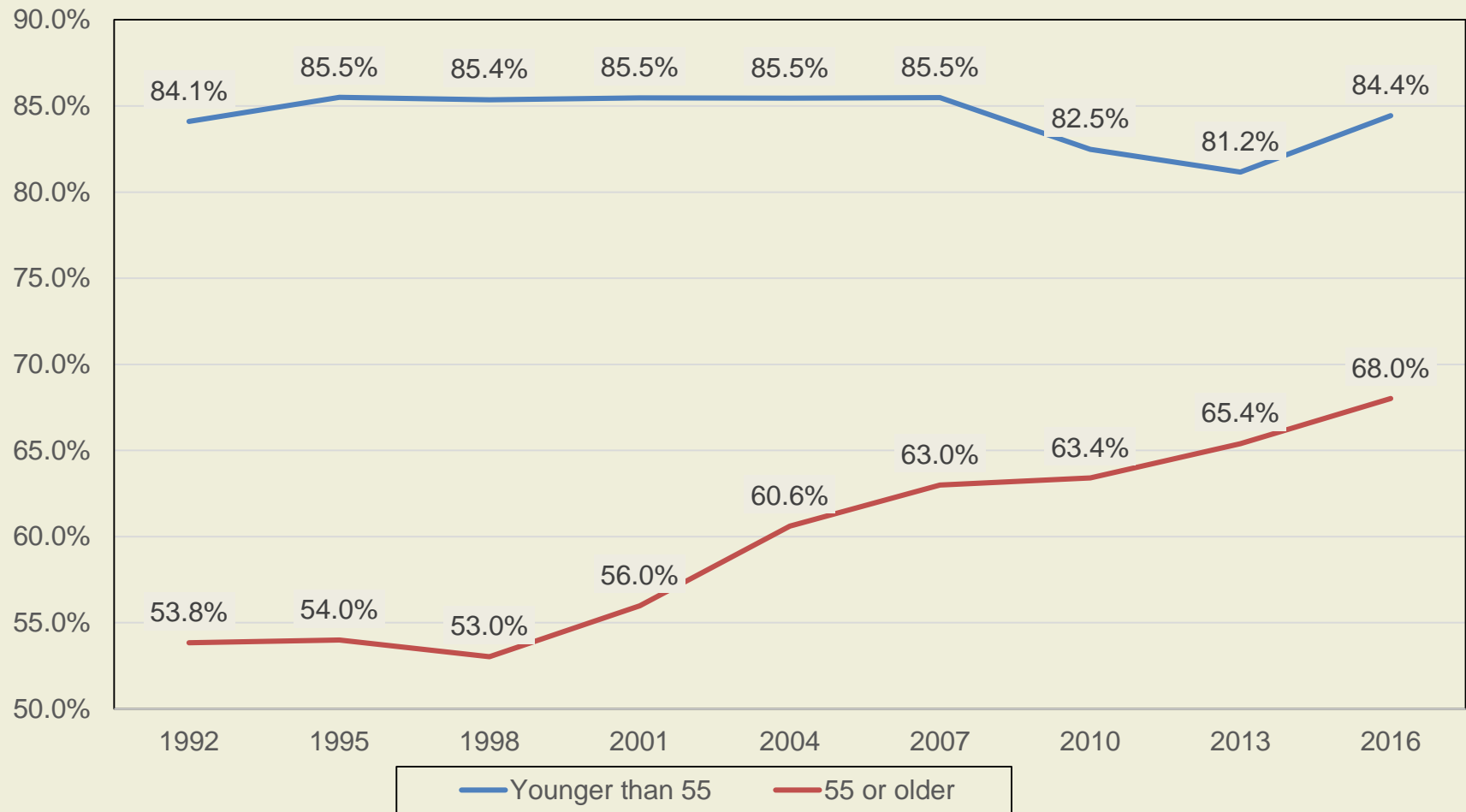
Median Credit Card Debt for Families With Heads Ages 55 or Older With Credit Card Debt, by Age of Family Head, 1992–2016



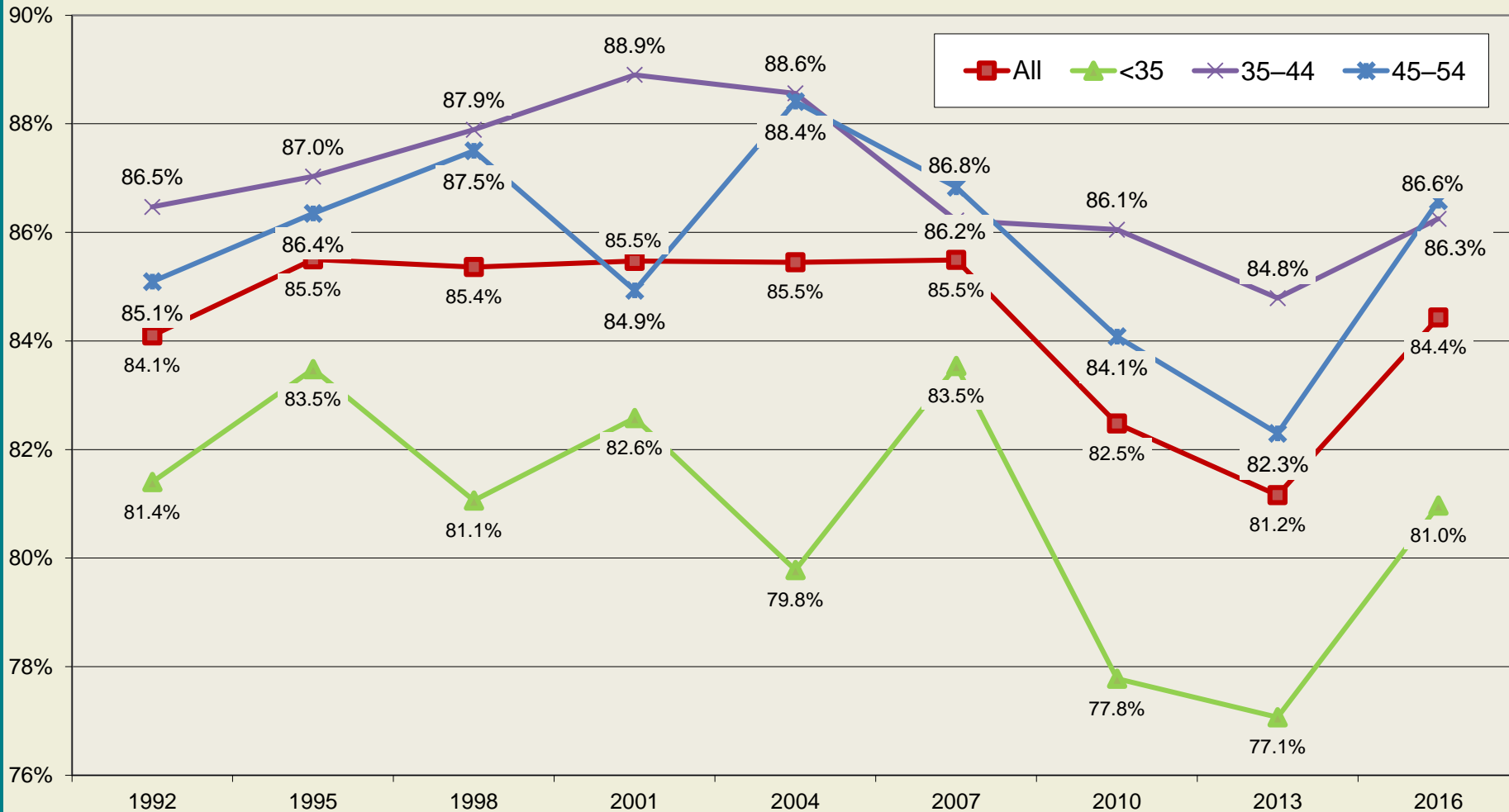
Comparison of the Trends in Debt with Those Younger Than Age 55

- Incidence of debt
- Debt payments
- High debt payments

Percentage of Families With Debt, by Age of Family Head, 1992–2016

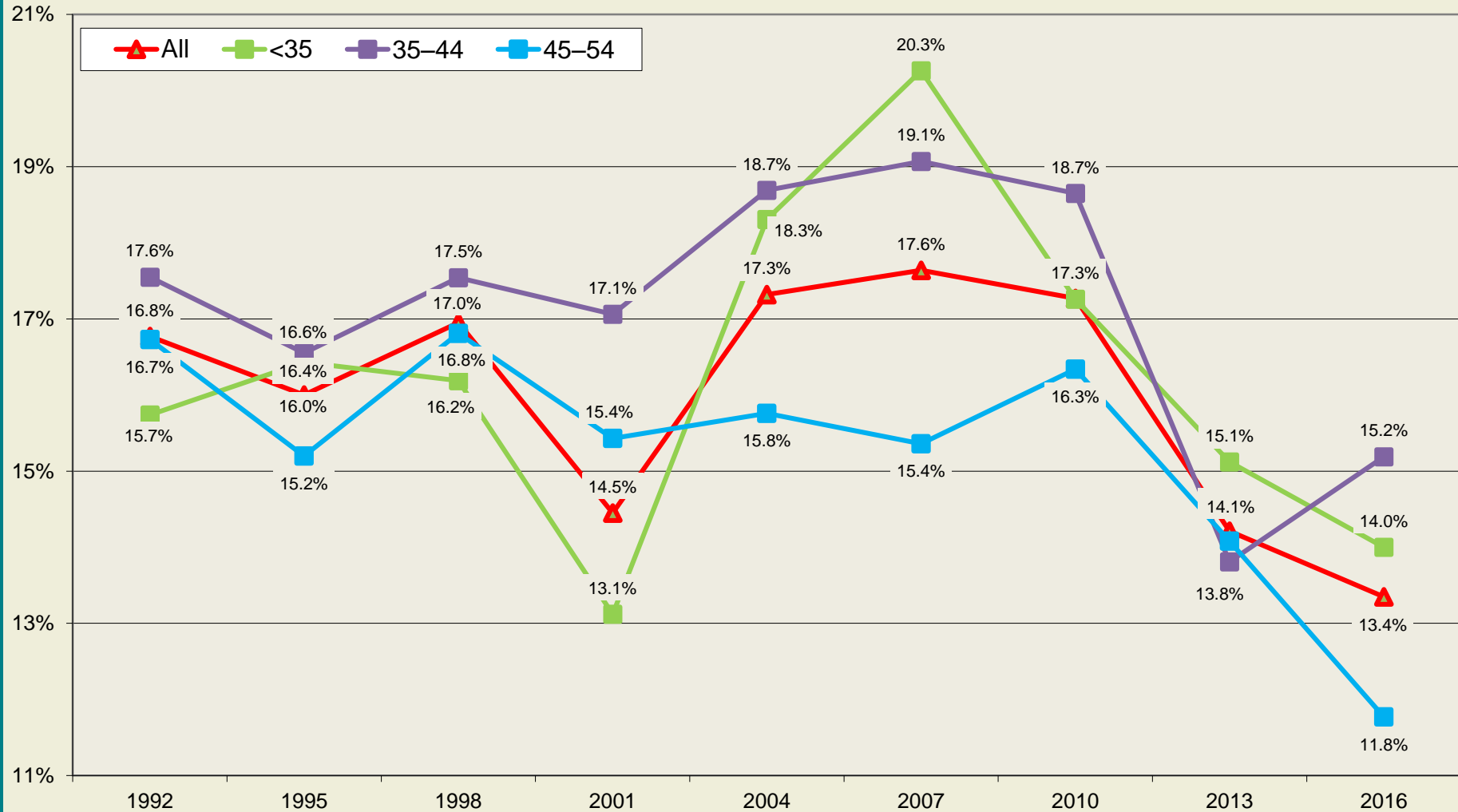


Percentage of Families With Heads Ages 54 or Younger With Debt, by Age of Family Head, 1992–2016



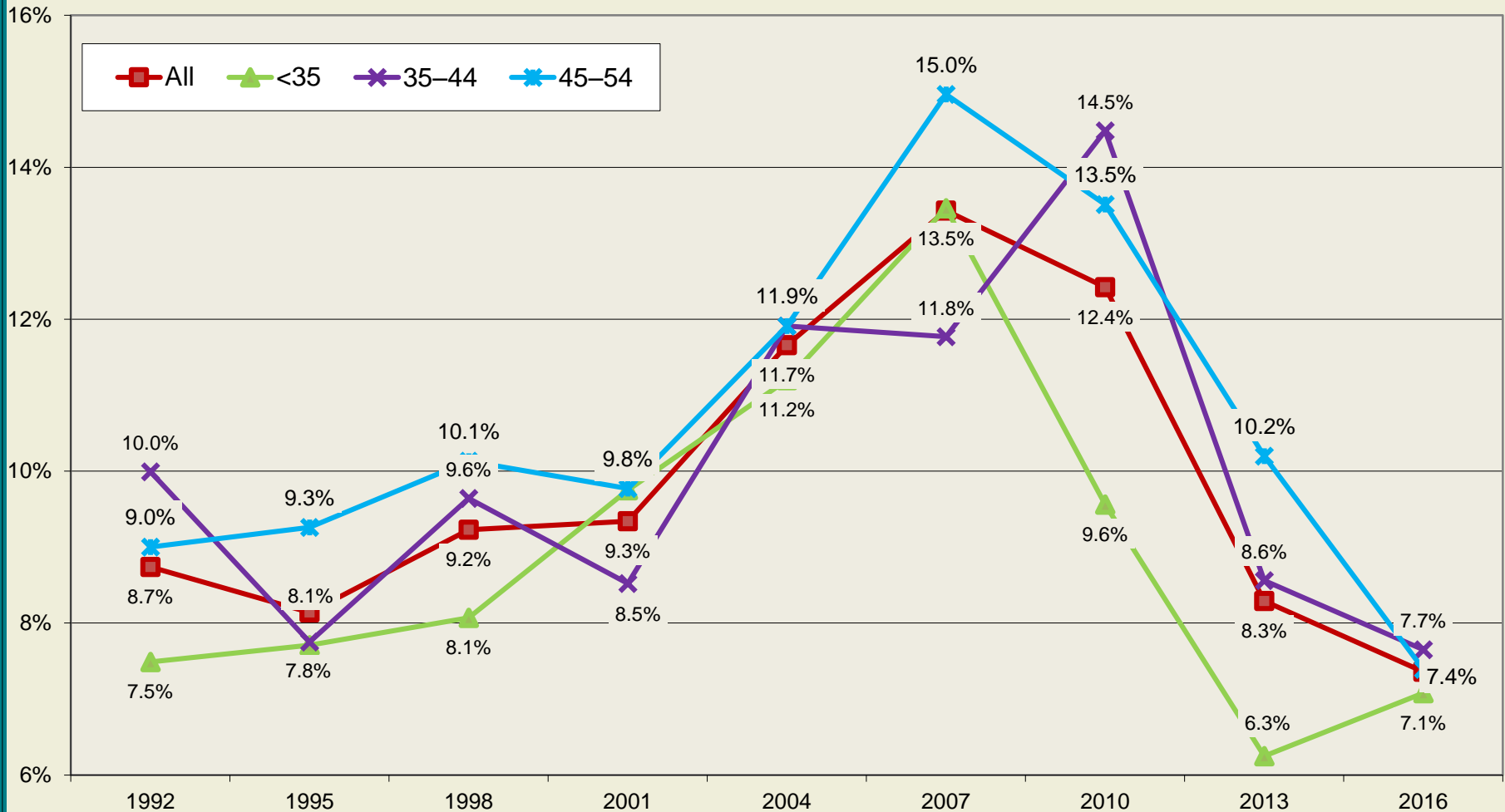
Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Total Debt Payments as Percentage of Income Among Families With Heads Ages 54 or Younger, by Age of Family Head, 1992–2016



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Percentage of Families With Heads Ages 54 or Younger With Debt Payments Greater Than 40 Percent of Income, by Age of Family Head, 1992–2016



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, and 2016 Survey of Consumer Finances.

Takeaways

- The incidence of debt for families with heads ages 55 or older has increased significantly since 1992. In particular, for families with heads ages 75 or older, this increase has resulted most since 2007.
- Overall, debt as a percentage of assets has held relatively stable. However, for families with debt, the percentage of assets that debt represents increased sharply from 1992.
- Increased debt payments have affected those families with the lowest incomes and having the oldest family heads.
- The overall trend in debt has been driven by housing debt since 2001.
- While the incidence of debt has trended upward for families with heads ages 55 or older since 1992, the incidence for families with heads younger than age 55 has held relatively steady.

Implications

- Entering retirement, and living in retirement with debt increases financial fragility, making seniors more vulnerable to:
 - Financial shocks: Unforeseen hospitalization, unexpected repairs, and other emergencies
 - Fluctuations in interest rates
 - Predatory practices as they seek to manage debt
 - Risky approaches to managing debt: forgoing necessities such as medication
- Important to continue to study the implications of seniors entering and living in retirement with debt.

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